

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

WORDTECH SYSTEMS, INC.,
a California Corporation,

2:04-cv-1971-MCE-EFB

Plaintiff,

v.

MEMORANDUM AND ORDER

INTEGRATED NETWORK SOLUTIONS,
Inc., a Nevada Corporation,
DBA INTEGRATED NETWORK
SOLUTIONS CORP., NASSER
KHATEMI, individually, HAMID
ASSADIAN, individually,
EHTERAM GHODSIAN,
individually, SHOHREH JAVADI,
individually, MICHAEL F.
ELLSWORTH, individually, BRIAN
J. DEAN, individually, SAN
JUAN UNIFIED SCHOOL DISTRICT,
and DOES 1 - 50,

Defendants.

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Through the present action, Plaintiff Wordtech Systems Inc.
("Wordtech") has alleged Defendants Integrated Network Solutions,
Inc., et al. ("Defendants") have infringed certain of its
patents.

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1 Presently before the Court is Defendants' Motion for Leave to
2 Amend their Answer. Defendants seek this leave in order to add
3 an affirmative defense which they have, to date, failed to
4 assert. Plaintiff argues that Federal Rule of Civil Procedure 15
5 governs whether the Court should grant their Motion while
6 Defendants contend that Federal Rule of Civil Procedure 16
7 controls. For the reasons set forth below, this Court holds that
8 Rule 16 controls and that Defendants' Motion is DENIED.

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10 **BACKGROUND**
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12 On January 28, 2005, Plaintiff filed its First Amended
13 Complaint alleging that Defendants infringed on certain of its
14 patents. In the Complaint, Plaintiff alleged that each of its
15 patents were duly and legally issued, valid and enforceable. On
16 February 17, 2005, Defendants submitted their Answer and
17 expressly elected not to challenge the underlying validity of the
18 Plaintiff's patents. On June 17, 2005, this Court filed its
19 first Pretrial Scheduling Order ("PTSO"). The Court amended that
20 PTSO once on July 15, 2005, again on September 13, 2006. The
21 September Order provided as follows: 1) no joinder of parties or
22 amendments to pleadings would be permitted without a showing of
23 good cause; 2) all discovery, with the exception of expert
24 discovery, was to be completed by November 7, 2006 and; 3) the
25 Pretrial Order would not be modified without a showing of good
26 cause. On February 13, 2007, Defendants filed the present Motion
27 in order to add an affirmative defense challenging the validity
28 of Plaintiff's patents.

STANDARD

The Court is normally required to enter a pretrial scheduling order within 120 days of the filing of the complaint. Fed. R. Civ. P. 16(b). The scheduling order "controls the subsequent course of the action" unless modified by the Court. Fed. R. Civ. P. 16(e). Orders entered before the final pretrial conference may be modified upon a showing of "good cause," but orders "following a final pretrial conference shall be modified only to prevent manifest injustice." Fed. R. Civ. P. 16(e).

Rule 16(b)'s "good cause" standard primarily considers the diligence of the party seeking the amendment. *Johnson v. Mammoth Recreations*, 975 F.2d 604, 609 (9th Cir. 1992). The district court may modify the pretrial schedule "if it cannot reasonably be met despite the diligence of the party seeking the extension." Fed. R. Civ. P. 16 Advisory Committee Notes (1983 Amendment); *Id.* Moreover, carelessness is not compatible with a finding of diligence and offers no reason for a grant of relief. *Id.* Although the existence or degree of prejudice to the party opposing the modification might supply additional reasons to deny a motion, the focus of the inquiry is upon the moving party's reasons for seeking modification. If that party was not diligent, the inquiry should end. *Id.*

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ANALYSIS**1. Good Cause**

The Ninth Circuit has addressed Rule 16(b)'s "good cause" standard and held that this standard primarily considers the diligence of the party seeking the amendment. The district court may modify the pretrial schedule "if it cannot reasonably be met despite the diligence of the party seeking the extension." *Johnson*, 975 F.2d at 609 (9th Cir. 1992) (citing Forstmann, 114 F.R.D. 83, 85 (1987); 6A Wright, Miller & Kane, Federal Practice and Procedure § 1522.1 at 231 (2d ed. 1990) ("good cause" means scheduling deadlines cannot be met despite party's diligence)). In *Johnson*, the Ninth Circuit did not permit the plaintiff to amend the Pretrial Scheduling Order to include an additional defendant because the plaintiff had not met the pretrial deadline for adding such a party. See *Johnson*, 975 F.2d 604. Furthermore, the *Johnson* court found that the plaintiff could not meet the "good cause" standard of Rule 16 because it was aware of the identity of the proper defendant prior to the deadline but nonetheless failed to timely add that party. *Id.*

Defendants are requesting to add an affirmative defense to their Answer five months after this Court issued its third amended PTSO. Accordingly, Defendants must show good cause for failing to timely raise this defense.

Defendants first claim they did not believe they were required to raise the affirmative defense that the underlying patents were invalid.

1 They base their position on the fact that this particular defense
2 had been raised in the Answer filed by Co-Defendant San Juan
3 Unified School District. Defendants explain that they should not
4 have been required to amend their Answer as this specific defense
5 was already set forth in co-defendant San Juan Unified School
6 District's Answer. Defendants further contend that their failure
7 to amend has not prejudiced Plaintiff because this defense was
8 clearly known to them by way of San Juan's Answer. Finally,
9 Defendants aver that their lack of financial resources to
10 investigate this possible defense should constitute "good cause."
11 The Court is not persuaded by Defendants' arguments.

12 First, the existence in a Co-defendant's brief of an
13 affirmative defense does not absolve these Defendants of the
14 obligation to raise all defenses which they intend to advance.
15 The omission of a defense based on its existence in another
16 Answer plainly does not satisfy the requisite diligence to
17 satisfy the "good cause" standard of Rule 16.

18 With respect to Defendants' contention that they lacked the
19 resources to investigate the invalidity defense, that position is
20 rebutted by Defendants' own conduct. Specifically, Defendants
21 had retained an expert and received a report regarding this
22 particular defense as early as November 10, 2004. Despite their
23 retention of an expert, which belies their argument that they
24 lacked sufficient resources to uncover the defense, Defendants
25 chose not to include the defense of invalidity in their Answer.
26 The record shows that Defendants failed to seek leave to plead
27 this defense until the present Motion was made, twenty-six months
28 after Defendants were on notice of this potential defense.


1 The Court finds that Defendants have not shown they were diligent
2 in pursuing this affirmative defense. Given that lack of
3 diligence, the Court finds that "good cause," as that standard
4 has been defined by the Ninth Circuit, is not satisfied.
5 Therefore, Defendants' Motion for Leave to Amend their Answer is
6 DENIED.

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8 **CONCLUSION**
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10 For the foregoing reasons, Defendants' Motion for Leave to
11 Amend their Answer is DENIED.

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13 IT IS SO ORDERED.

14 Dated: March 21, 2007

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MORRISON C. ENGLAND, JR.
UNITED STATES DISTRICT JUDGE